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Education Levels and Low-Wage Work

Abstract

Is education the key to getting low-wage workers out of poverty and into higher paying, middle class jobs? In the United States, roughly one in three jobs pays a low wage. The Center for Economic and Policy Research defines "low wage" as less than 66 percent of the median wage for male workers (the median weekly pay rate for men in the fourth quarter of 2009 was \$825). Employees with higher levels of education do have a significantly lower probability of working a low-wage job or ending up in poverty. In Erie County, people 25 years old and older with a high school diploma have an 11.6 percent chance of being in poverty. For those who have at least a Bachelor's Degree, the poverty rate plummets to 4.1 percent.

Keywords

Buffalo, Poverty/Low Wage Work/Income Inequality, Low Wage Work, Education, Poverty and Education, Economic Development, Workforce Development, Policy Brief, PPG, PDF

Education Levels and Low-Wage Work

Dannine Consoli

Introduction

Is education the key to getting low-wage workers out of poverty and into higher paying, middle class jobs? In the United States, roughly one in three jobs pays a low wage.¹ The Center for Economic and Policy Research defines “low wage” as less than 66 percent of the median wage for male workers.² (The median weekly pay rate for men in the fourth quarter of 2009 was \$825).³

Employees with higher levels of education do have a significantly lower probability of working a low-wage job or ending up in poverty. In Erie County, people 25 years old and older with a high school diploma have an 11.6 percent chance of being in poverty. For those who have at least a Bachelor’s Degree, the poverty rate plummets to 4.1 percent.⁴

Unfortunately, low-wage jobs are the least likely to offer the job training, benefits or flextime which, in addition to a decent wage, would help workers afford higher levels of education and training. Therefore, federal, state and local governments need to create policies that enable people to better afford vocational training and higher education.



National Statistics on Education and Poverty

Education does play a large role in enabling people to move out of low-wage positions. An analysis of the Survey of Income and Program Participation (SIPP) panels shows that when people start out in low-wage employment, 48.8 percent of those without a high school diploma are still in low-wage employment three years later while only 20 percent of college graduates remained in such positions. Below is a complete table of workers who remained in low-wage positions after three years, and those who moved upward, based on their level of education.⁵

	Stayed in low-wage job	Moved to	
		Not employed	Above low-wage job
Less than High School	48.8%	30.9%	20.3%
High School graduate	44.9%	23.7%	31.3%
Some college	33.9%	20.5%	45.6%
College graduate	20.0%	17.7%	62.3%

Source: No Way Out: How Prime-Age Workers Get Trapped in Minimum-Wage Jobs

In the fourth quarter of 2009, the Bureau of Labor Statistics reported that for full-time workers age 25 and over, those without a high school diploma had median weekly earnings of \$449, those with a high school diploma had median weekly earnings of \$638, and those with a bachelor's degree had median weekly earnings of \$1,121.⁶ Similarly, in 2008, unemployment rates ranged from 9.0 percent for those with less than a high school diploma to 5.7 percent for those with a high school diploma and 2.8 percent for those with a bachelor's degree.⁷

How Education Affects the Employment Prospects and Pay Rate for the Same Job.

The pay rate for jobs requiring only a high school diploma can range from the mid \$10,000's to the high \$40,000's or higher. In today's competitive job market those with higher levels of education should better compete for the higher paying positions. Even if they end up underemployed, they will still have a better chance at obtaining jobs that pay above low-wages. For example, some office management positions only require a high school diploma and on-the-job experience. These management positions tend to pay good wages and are highly competitive. People with higher education in conjunction with job experience will stand out from those with only a high school diploma.⁸



Within the same fields of employment, those with some college or a bachelor's degree or higher also tend to earn higher salaries than their high school educated counterparts.⁹ The below table shows some national median wage differences for the same occupation based on education attainment.¹⁰

Occupation	High school diploma or less	Some college or associate degree	Bachelor's degree or higher
Property, real estate, and community association managers	\$33,968	\$40,022	\$61,963
First-line supervisors/ managers of non-retail sales workers	\$39,965	\$48,013	\$73,577

Insurance sales agents	\$32,938	\$39,936	\$60,010
Retail salespersons	\$24, 974	\$29, 987	\$38,999
Emergency medical technicians and paramedics	\$32,023	\$38,934	\$49,953
First-line supervisors/managers of retail sales workers	\$29,990	\$35,985	\$44,723
Farm, ranch, and other agricultural managers	\$30,015	\$37,975	\$46,015

Source: Occupational Outlook Quarterly: Fall 2008

Who Remains in Low-Wage Occupations?

Workers who live in states where the minimum wage is above the federal level have a higher chance of moving up out of low-wage jobs.¹¹ These states may also have other policies that help workers move into better positions, so this may represent overall state conditions.¹² The job market also plays a role. The probability of remaining in a low-wage job between 1992 and 1994 was 53.7 percent.¹³ By the early 2000's it had fallen to 44.6 percent.¹⁴ Likewise, when unemployment rates are low, people are better able to move out of low-wage positions.¹⁵

Studies also show that low-wage workers who change their occupation or industry have statistically better chances of moving up the ladder than those who do not.¹⁶ This is especially true when workers remain in industries with a high concentration of low-wage positions, such as retail sales, social services, or agriculture.¹⁷ People who are better educated or who possess more vocational skills will probably have a better chance at changing their job into a different occupation or industry.



Does Raising Education Levels Increase the Number of Quality Jobs?

Education clearly helps individuals move up, but it is far from a guarantee. There is a great disparity between the current number of educated adults with at least bachelor's degrees and the number of jobs that require such certification. Many employees work beneath their education level at a lower pay rate and perhaps with fewer or non-existent benefits.

For example, one in four full-time jobs pay less than two-thirds of median earnings,¹⁸ yet less than one in five people age 25 and over never completed high school.¹⁹ Obviously some high school graduates and a few college graduates will end up working low-wage jobs due to the lack of better paying work.

The Occupational Outlook Quarterly, a division of the Bureau of Labor Statistics, does give optimistic predictions regarding the number of quality jobs matching the number of people with a Bachelor's degree. In 2007, 27 percent of the national population had a bachelor's degree or higher.²⁰ The Bureau of Labor Statistics forecasts that between 2006 and 2016, "the number of jobs for workers with a bachelor's degree or higher is projected to increase from 38 million, or about 25% of the workforce, to more than 43 million by 2016" - a growth rate of 15 percent.²¹ If the predictions bear out, it appears that the amount of jobs requiring a bachelor's degree will almost equal the amount of people who have at minimum a bachelor's degree by 2016.

However, the Fiscal Policy Institute has quite different forecasts for New York state. New York is among the highest educated states in the country: 31 percent of people age 25 and older have at minimum a bachelor's degree.²² However, in 2004, only 21.5 percent of jobs required a bachelor's degree or higher. This rate is only expected to rise to 22.4 percent in 2014.²³ Jobs that require some college education, but less than a bachelor's degree, are expected to rise from 10.1 percent to 10.5 percent.²⁴ It is also projected that two-thirds of jobs in New York State will require no more than a high school diploma, yet only 46 percent of New York State workers will have a high school diploma or less.²⁵ This shows a disparity of about 20 percent of adults with at least some college who may be required to take lesser jobs with modest pay and benefits.



The Impact of Education and Jobs in New York State and Western New York

In Western New York, household incomes have remained flat since the 1970's despite the significant growth in educational attainment.²⁶ Much of this was due to the loss of well paying manufacturing jobs which were predominately replaced with low-wage service jobs. Recent years have not been kinder to middle class workers, perhaps due to the economic recession. Between 2004 and 2008, Western New York saw a 10 percent decline in middle-wage occupations (\$30,000-\$70,000), alongside a 17 percent increase in low-wage jobs (\$0-\$30,000) and a 6 percent increase in high-paying jobs (\$70,000+).²⁷ In 2008, 46 percent of metro Buffalo workers earned a low wage (\$30,000 or less),²⁸ yet around 88.1 percent of people age 25 and older had at least a high school diploma.²⁹

How Much Does the Market Play a Role?

Although education can help to ward off poverty, it is the market that seems to dictate whether the amount of quality jobs increase. In 2000, during United States' economic boom, the percentage of Erie County residents with at least a high school diploma was 82.5 percent, and the

percentage of residents with at least a bachelor's degree was 24.5 percent. At that time, the poverty rate for the county was 12.2 percent.³⁰ Unemployment was around 4.5 percent.³¹

In 2008, the percentage of people with at least a high school diploma increased to 88.1 percent and the percentage of people with a bachelor's degree or higher increased to 28.4 percent. However, the poverty rate had risen to 13.9 percent.³² The unemployment rate also rose to around 6 percent.³³ (As of January 2010, the unemployment rate for Erie County was 8.9 percent).³⁴

Over the next ten years, low-wage work is projected to account for more than 30 percent of the American workforce.³⁵ Some argue that retraining will do little to help those in low-wage jobs since those positions will continue to grow as a proportion of the United States economy.³⁶ Other studies confirm that our economy has many more entry level jobs than entry level workers.³⁷ "It turns out that in the U.S. labor market, it is not possible for everyone in the labor market to be middle class, no matter how hard they work. Moreover, it has been getting harder to do so over time."³⁸ Due to the impossibility for everyone to obtain middle class employment, even if they have the qualifications, some feel that the only solution is to adequately pay workers for the jobs they already possess.³⁹

Education levels cannot by itself create better paying jobs and lower the poverty rate in a market driven society. Nonetheless, education is still economically positive for other reasons. Most notably, it can increase equality of opportunity and increase mobility within the job market so more adults can qualify and compete for better positions.



Conclusion

Education is not a catchall solution to the problem of working in low-wage occupations. There will always be a percentage of employees at every level working in low-wage positions simply because there are not enough jobs available at their level of education. Likewise, there will also always be a percentage of

educated workers who are underemployed, although they may be earning more than a low-wage. However, statistics clearly show that the higher the level of education a person has, the lower their probability of being in poverty. In addition, the less education a person has, the more likely they will remain in low-wage jobs and lack opportunities for advancement. What we need is to find solutions that enable low-wage workers to obtain either job training or advanced education that will enable them to compete for better paying positions. Even if education cannot in and of itself create jobs, a better and more equal education and training system will increase

equality of opportunity and economic mobility so that, at the least, workers have a fairer chance to compete for the better paying jobs.

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⁹ Id.

¹⁰ Id.

¹¹ Boushey, Heather. *No Way Out: How Prime-Age Workers Get Trapped in Minimum-Wage Jobs*. Rep. Malden: WorkingUSA: The Journal of Labor and Society, December 2005. <<http://www.cepr.net/index.php/publications/reports/no-way-out-how-prime-age-workers-get-trapped-in-minimum-wage-jobs/>>.

¹² Id.

¹³ Id.

¹⁴ Id.

¹⁵ Id.

¹⁶ Boushey, Heather. *No Way Out: How Prime-Age Workers Get Trapped in Minimum-Wage Jobs*. Rep. Malden: WorkingUSA: The Journal of Labor and Society, December 2005. <<http://www.cepr.net/index.php/publications/reports/no-way-out-how-prime-age-workers-get-trapped-in-minimum-wage-jobs/>>.

¹⁷ Id.

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¹⁹ Crissey, Sarah R. *Educational Attainment in the United States: 2007*. Rep. Washington, DC: U.S. Census Bureau, January 2009. <<http://www.census.gov/prod/2009pubs/p20-560.pdf>>.

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²¹ Liming, Drew, and Michael Wolf. *Job Outlook by Education, 2006-16*. Rep. Washington, DC: Bureau of Labor Statistics, Fall 2008. *Occupational Outlook Quarterly*. <<http://www.bls.gov/opub/ooq/2008/fall/art01.pdf>>.

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²³ Id.

²⁴ Id.

²⁵ Id.

²⁶ *Playing an Insecure Hand: Low-Wage Workers in the New Economy*. Rep. Buffalo: University at Buffalo Regional Institute, February 2010. Web. <http://www.regional-institute.buffalo.edu/Includes/UserDownloads/PolicyBrief_LowWageFeb2010.pdf>.

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³⁷ Boushey, Heather, Shawn Fremstad, Rachel Gragg, and Margy Waller. *Understanding Low-Wage Work in the United States*. Rep. Washington, DC: Center for Economic Policy and Research, March 2007. Print.

³⁸ Id.

³⁹ *Fairness Initiative on Low-Wage Work: Fact Sheets*. Phil Sparks. Web. 5 Apr. 2010.
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